

June 2, 2005

Mr. Albert Robinson  
Town Counsel  
Town of Wellesley  
40 Grove Street  
Wellesley, MA

Dear Al,

In response to your request of June 1, we are writing to provide our observations relative to the normal development industry standards for rights universally reserved by project sponsors during the course of the permitting and approvals process. Our observations respond to the concern raised during the Selectmen's meeting of May 31 that the proponent of the proposed Linden Square project could, at some future time, elect not to proceed with the development of the project after having executed the Development Agreement and secured the requested zoning overlay district for the Linden Square property.

In our professional experience, it is typical that project sponsors reserve the right at any time during or after the permitting and approvals process – either explicitly in a development agreement or implicitly simply by their fundamental rights as an owner of real property – to not proceed with a proposed project at their sole election. While we defer to counsel to provide more a more precise legal explanation of our understanding, it is our observation that the police powers of a municipality, while capable of regulating and permitting the improvement of private property in a certain manner, generally are not and cannot be extended so as to force or otherwise compel a private property owner to improve his property through the act of permitting such improvement.

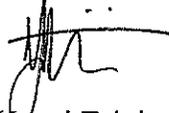
We do not believe that it would be commercially reasonable to require a project proponent to commit to developing a project as a condition of granting approval for such project, or that it would be economically prudent or feasible for a project proponent to make such a commitment. Because the economic viability of a real estate development project depends on a broad variety of factors that are wholly beyond the control of any public body at any level of government, it is not conceivable that a prudent project sponsor could commit to moving forward with a development project before the financial, macroeconomic, and other areas of uncertainty have been secured to the satisfaction of the proponent and the proponent's financing sources. As a result, it is typical that project proponents reserve the right to elect not to proceed with a project at any time, including after the completion of the permitting and approvals process. In our experience, municipalities generally accept this reservation as a fundamental property right and a common reflection of the basic realities of the real estate development process.

We hope that these observations help to address the concern raised at the Selectmen's meeting and will assist the Town of Wellesley in finalizing the Development Agreement.

Yours very truly,



Ted Chryssicas  
Senior Vice President



Yanni Tsipis  
Vice President

(4)

MAY 27 2005

Final

ANALYSIS REPORT

-OF-

**PROPOSED  
LINDEN SQUARE REDEVELOPMENT**

-PREPARED FOR-

THE TOWN OF WELLESLEY

-BY-

MEREDITH & GREW, INC.

MAY 25, 2005

May 25, 2005

Albert Robinson  
Town Counsel  
Town of Wellesley  
40 Grove Street  
Wellesley, MA

Dear Mr. Robinson,

In accordance with your request of May 17 and pursuant to our contract dated April 14, 2005, we are writing to provide a synopsis of our overall assessment of the Linden Square redevelopment project (the "Project") proposed by Eastern Development (the "Proponent"). Our assessment is based on our two-month involvement as the Town of Wellesley's development consultant, our familiarity with real estate development projects of all sizes, including those similar in scale and nature to the proposed Project, and our experience in and knowledge of the suburban Boston retail marketplace.

Our current assessment of the Project focuses in three key areas:

- The Project's relative impacts and benefits to the Town of Wellesley.
- The package of mitigation and linkage measures funded by the Project viewed within the context of the proposed Zoning Amendment and its value to the Proponent.
- The terms of the Development Agreement between the Proponent and the Town of Wellesley.

### Summary of Conclusion

Overall, we have concluded that the proposed Linden Square redevelopment proposal represents a substantial benefit to the Town of Wellesley in three primary areas:

- First, the proposed redevelopment will provide a high-quality, well-maintained service-oriented retail village that complements the boutique-oriented Central and Washington Street corridors and contributes to an appropriate balance of retail uses for the Town.
- Second, the proposed redevelopment will physically improve and consolidate the current Linden Street corridor into an attractive, cohesive, and more manageable master-planned district consistent with the Town's recent Linden Street Corridor Study. While the proposed physical improvements on the site represent visual and economic benefits to the Town, the consolidation of the current collection of

independent Linden Street parcels represents a rare opportunity to secure unified long-term regulatory control and management of the entire district by the Town of Wellesley.

- Third, the proposed redevelopment will provide a substantial fiscal benefit to the Town in the near term and on an ongoing basis, both by providing incremental property tax revenue and by virtue of the mitigation/linkage package recently committed to by the Proponent. Based on our experience representing developers in the negotiation of linkage and mitigation packages, we believe that the Town of Wellesley negotiated an extremely strong but fair and commercially reasonable linkage and mitigation package that will significantly benefit the Town and its residents.

### Specific Matters and Observations

During the course of our involvement as the Town's development consultant, we have been asked to provide our professional opinion on a variety of matters related to the proposed Linden Square development. In brief, these matters and our relevant observations are as follows:

1. The value of the additional FAR/buildable area requested by the Proponent:

Among our central tasks was to evaluate and conduct a valuation analysis of the proposed additional buildable area that would result from an increase in the allowed FAR within the site area from 0.30 to 0.35. Given the site area of approximately 18.4 acres, the increase in allowable FAR could result in the construction of approximately 35,670 square feet of additional floor area above the current as-of-right baseline of approximately 240,450 square feet. Our analysis of development costs (including on-site improvements and public benefits) and revenues led us to conclude that the additional floor area would yield a net capitalized value of approximately \$1.6 million. This analysis is attached as Appendix A.

2. The amount of off-site improvements/public benefits that could reasonably be supported by the Project:

Our analysis of the value of the additional FAR provided for in the requested zoning amendment guided our and the Town's evaluation of the Project's mitigation and linkage package by approximating the level of off-site financial commitment that could reasonably be supported by the Project as proposed.

Based on our analysis and our experience in negotiating mitigation and linkage packages in other municipalities (typically on the side of a project's proponent), we believe that the mitigation/linkage package secured by the Town of Wellesley in this instance reflects appropriate specific measures intended to mitigate the project's impacts and entails financial commitments to the Town for public benefits that are near the upper extreme of commercial feasibility and reasonableness.

3. The form and terms of the Development Agreement between the Proponent and the Town of Wellesley.

We reviewed the draft Development Agreement with an eye towards form and content, and believe that it fully and appropriately reflects the commitments made by the Proponent and provides for mitigation of the project's impacts in sufficient detail. The Development Agreement in its current draft appropriately protects the interests of the Town of Wellesley and residents of neighborhoods proximate to the Project in a manner consistent with or better than industry standards. Overall, the Development Agreement's form, content, and level of detail are consistent with our experience drafting and reviewing similar agreements for large-scale development projects.

4. Application of additional FAR

As part of our analysis of the value and impacts of the additional FAR provided for in the proposed Zoning Amendment, we concluded that the additional FAR would most likely be applied entirely to the development of upper-floor office and low-intensity retail space. This conclusion was based on our observation that the Project includes approximately 70,320 square feet of second- and third-floor space, in addition to approximately 205,800 square feet of ground floor and basement retail space.

Because ground-floor retail is by far the most economically valuable use of an allowable FAR square foot, we assumed that all of the site's existing "as-of-right" FAR would be applied to ground-floor retail uses in the event that the proposed Zoning Amendment were not granted. The "as-of-right" FAR allowed on a consolidated site is 240,450 square feet, which would allow approximately 34,650 square feet of upper floor space to be constructed within the current zoning envelope. The additional FAR requested would allow for the construction of an additional 35,670 square feet of upper-floor space.

This conclusion led us to observe that the proposed Zoning Amendment will facilitate the creation of a well-planned mix of uses on the site and an attractive village-like environment with small-scale multi-story structures complementing the traditional large-scale single-story retail buildings existing and planned for the Project.

In addition to our positive conclusion with respect to the proposed additional FAR, it is important to note that in the site's current form (consisting of ten disaggregated land parcels, some of which are improved beyond the current "as-of-right" density), the Proponent could construct additional improvements on certain land parcels and achieve an overall site gross floor area of approximately 267,000 square feet on an entirely "as-of-right" basis. This level of site density could be achieved without regulatory review by the Town through the Projects of Significant Impact process or any change to the current zoning. As a result, the Proponent could not be required to commit funds to mitigate project impacts or provide external public benefits. We believe that this development approach, which represents the highest-and-best use for the Linden Street parcels in the absence of the proposed Zoning Amendment, would represent a severe and unmitigated

detriment to the Town and a missed opportunity to achieve a balanced, responsible master-planned approach to the Linden Street corridor.

5. Impacts of the proposed project on traffic flow:

We believe that the Project's most significant impact relates to an expected increase in the volume of vehicular traffic making use of the Linden Street corridor. While it is clear that the project will cause a modest increase in the volume of traffic on Linden Street and environs, the project will also fund substantial traffic-related mitigation measures whose benefits are likely to extend beyond the Linden Street corridor. In addition, the Proponent has agreed in the Development Agreement to exclude or place strict limits on the inclusion of uses that generate high volumes of vehicular trips (i.e. fast food establishments, video rental establishments, and other tenancy types) as a means of managing travel demand on a long-term basis. This approach is consistent with typical industry practice for controlling the intensity of uses within a retail development.

In addition to our positive finding relative to the Proponent's commitments, we noted that in the event that the Project did not go forward, the Proponent could simply re-tenant the existing structures with more intensive uses and construct additional retail structures on individual Linden Street parcels in an "as-of-right" manner and without the need to fund any traffic mitigation measures. We believe that the net effect of the "re-tenanting with no mitigation" approach would be significantly more detrimental to traffic conditions on Linden Street and in the "Loop" area than the "mitigated redevelopment" approach that is currently proposed for the site.

As a result of these conclusions, we believe that the Project reasonably and appropriately balances the incremental traffic volume it is likely to generate with the traffic mitigation measures that it will fund.

On a related note, we were asked to examine the nexus between the requested Zoning Amendment and the Project's increased trip generation. We believe that the incremental buildable floor area made possible by the additional FAR would generate a relatively small proportion of the incremental traffic volume that is expected to result from the Project's development. Because the additional FAR will be allocated entirely to the construction of relatively low-intensity upper floor uses, most of the new trips generated by the Project will likely result from re-shuffling and repositioning the existing ground-floor retail footprint.

6. Review of Fiscal Impacts Analysis prepared by RKG:

We reviewed the Fiscal Impact Analysis report prepared by RKG Associates and provided voluntarily by the Proponent. The RKG report examined the current and projected future assessed value of the Linden Square retail district and concluded that the Town of Wellesley stood to realize an annual increase in tax revenues from the property on the order of \$200,000 over the current levy once the Project is complete. By estimating current and future demand for municipal services, RKG further suggested that

the incremental municipal expense to provide services to the Project would be approximately \$31,000.

While we observed that the analytical methodology used in the report to estimate both present and future municipal service expenses has the potential to understate the actual current and future expense to the Town, we do believe that the Town of Wellesley will realize a substantial net incremental benefit from the development of the Project.

This conclusion is based on our finding that the assessed value of the Linden Street property is likely to increase significantly as a result of the Project's development (we concur globally with RKG's estimate of the increase in property value but would suggest a more conservative figure of 70%-75% over current valuation), and on our finding that additional municipal services required to serve the new development are unlikely to differ significantly from the services currently required to serve the Linden Street retail area. This conclusion is further supported by the Proponent's commitment in the Development Agreement to fund certain special-purpose municipal services such as holiday-period police details and use commercially reasonable efforts to facilitate delivery of recyclables to the DPW station.

With respect to any potential reduction in property valuation and resultant tax revenues during construction as a result of the demolition of existing structures, the Proponent has agreed in the Development Agreement to make up any tax revenue shortfall in the form of a Payment In Lieu of Taxes (PILOT) in an amount corresponding to the pre-demolition property assessment and annual tax rate. The result of this commitment is that the Town will not suffer a loss in annual revenue generated by the Linden Street properties at any point during the project's development.

#### 7. Reasonableness of proposed Affordable Housing measures:

We were asked to examine the proposed affordable housing component to the Project, which was included in the development plan pursuant to the Town of Wellesley's recently-enacted inclusionary zoning statute. The Project includes four new affordable townhouse-style residential units, each with two parking spaces, and a commitment to maintain three additional existing units at affordable rents. In our experience, it is extremely unusual for a large-scale service retail or "retail village" development in the northeastern US to include any new housing (either affordable or market rate) in close proximity to on-site retail uses.

We found that the proposed affordable housing component of the Project far exceeds standard retail development industry practice (which either involves no affordable housing component or a monetary contribution to a municipal affordable housing fund). As a result, we concluded that the proposed affordable housing component (which carries a development cost of approximately \$500,000) represents a strong and above-normal commitment by the Proponent to providing affordable housing in the Town of Wellesley.

Summary

The proposed Project represents a singular and beneficial opportunity for the Town of Wellesley to improve its retail mix, tax base, stock of affordable housing, and physical image along a central travel corridor in a responsible manner that will provide for long-term regulation and management by the Town. We believe that the Project's Proponent has committed to mitigation measures that are consistent with or better than industry standards and that are appropriate for the impacts that the Project is likely to have on the surrounding area. Furthermore, the Proponent's commitment to fund additional off-site public benefits exceeds what in our experience are industry norms for large-scale projects, but remains fair and commercially reasonable.

These conclusions are based on our analysis of the specific matters described above and the Project as a whole, and were reached in light of the significant progress that has been made to date in finalizing the requested zoning amendment, development agreement, linkage and mitigation package, and other aspects of the approvals process.

We appreciate the opportunity to provide our opinion on the Project, and look forward to working with the Town as the approvals process continues to advance.

Yours very truly,



Ted Chryssicas  
Senior Vice President



Yanni Tsipis  
Vice President

**APPENDIX A**  
**CONCEPTUAL ANALYSIS OF ADDITIONAL FAR VALUE**

<b>CONCEPTUAL FINANCIAL ANALYSIS</b>			
<b>ADDITIONAL FLOOR AREA - LINDEN SQUARE</b>			
Site Area	801,504		
As-of-Right FAR	0.3		
As-of-Right Floor Area	240,451		
Requested FAR	0.34		
Requested Floor Area	276,122		
		2nd fl. Retail	3rd fl. Office
<b>Additional Floor Area Requested</b>	<b>35,671</b>	<b>27,671</b>	<b>8,000</b>
<b>Development Value</b>			
Annual NNN Rent - 2nd floor Retail	\$25		
Annual Gross Rent - 3rd floor Office	\$23		
Annual Office Expenses	(\$7)		
Annual NNN Office Rent	\$16		
Capitalization Rate	8.0%		
Total Annual Net Rent	\$819,770		
<b>Capitalized Value</b>	<b>\$10,247,125</b>		
<b>Development Cost*</b>			
Acquisition	N/A	(already incurred)	
Hard (construction) Cost	\$4,458,850	\$125/GSF	
Tenant Improvements	\$642,074	\$20/RSF @ 90% of GSF	
Architectural/Bldg Eng fees @ 6%	\$306,055		
Allocation of project Sitework	\$763,636	@35/275	
Allocation of project Legal/Permitting	\$509,091	@35/275 includes Env/Eng consultants	
Financing fees	\$68,809	@ 1.0% of financed amount (80% of TDC)	
Construction period tax/insurance	\$100,000	allowance	
Financing carry	\$330,283	6.0%, 16 months, 60% avg. draw	
Linden Street (allocation)	\$165,455	@35/275 of ED estimate of \$1.3 million	
Leasing Commissions	\$224,726	\$1.00 per SF/yr; 7yr avg. term	
Development fee/Equity return	\$1,032,134	@ 12%	
<b>Total Costs</b>	<b>\$8,601,113</b>		
*Excludes offsite public benefits, unforeseen conditions.			
<b>NET VALUE OF ADDED GSF:</b>	<b>\$1,646,012</b>		